GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3974
ANSWERED ON:22.08.2003
FOREIGN EXCHANGE RESERVES
BRAHMANAND MANDAL

Will the Minister of FINANCE be pleased to state:

(a) the foreign exchange reserve during each of the last three years;

(b) the year-wise earnings from the said amount;

(c) the manner in which the said amount is being spent; and

(d) the sources of the said amount?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): The foreign exchange reserves at end-March 2000, end-March 2001, end-March 2002, and end-March 2003, stood at US $38.0 billion, US $42.3 billion, US $54.1 billion and US $75.4 billion respectively.

(b): Net earnings on foreign currency assets and gold during 1999-2000, 2000-01, 2001-02 and 2002-03 (July-June) were 4.6 per cent, 6 per cent, 4.5 per cent and 3.1 per cent, respectively, in dollar terms.

(c): In terms of provisions contained in RBI Act, 1934, RBI acts as custodian of foreign exchange reserves, and manages reserves within the defined objectives of safety, liquidity and returns. India`s foreign exchange reserves are invested in multi currency portfolios consisting of international convertible currencies, such as US Dollar, Euro, Pound Sterling and Japanese Yen. The law broadly permits deposits with other central banks and Bank for International Settlements (BIS), deposits with foreign commercial banks, debt instruments representing sovereign/ sovereign-guaranteed liability (with residual maturity not exceeding 10 years), other instruments/institutions as approved by the Central Board of Directors of the Bank.

(d): The balance of payments of a country comprises current and capital accounts. If the overall balance of the current and capital accounts is surplus, it results in the accretion of foreign exchange reserves of a country. In India, there has been an overall surplus in the balance of payments since 1996-97. In fact, since 2001-02, both the current account and capital account have registered surpluses.